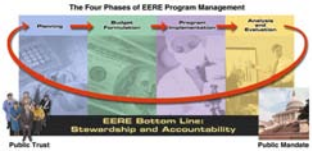
Appendix B-5
Impact and Capability Statements



a. Background and Purpose

Spending agencies must justify their portion of the Presidential Budget to the Congressional Appropriation Committees and Subcommittees. These committees and subcommittees may request Impact and Capability Statements from the agency for which they have appropriations oversight.

Capability Statements reflect DOE's position on Congressional amendments proposing DOE program and funding increases. Impact Statements are requested to define "What if" scenarios, such as what impact would result from a program budget being reduced or eliminated. These statements are yet another opportunity for DOE to explain its programs and justify its budget request to Congress.

Congressional Committee requests for Impact and Capability Statements have short lead times and require quick response, so it is essential for program managers to develop a strategy for responding to the questions before they are asked.

Due to the quick response time required, program manager should have a strategy for responding to Congressional requests.

This section presents an overview of Impact and Capability Statements so that program managers will be able to respond quickly and appropriately to these questions and be cognizant of the importance and implications of their responses.

b. Developing Impact and Capability Statements

Development and approval of Impact and Capability Statements must be completed within a few days and, because of its formal nature, all steps in the approval process must be completed. **The statements are usually developed by Program Managers and reviewed by the Deputy Assistant Secretaries.** The Assistant Secretary and the Deputy Assistant Secretary may also give directives on preparing these statements. The Office of Management and Budget (OMB) reviews the statements and delivers them to Congress.

Because statements can have a significant influence on Congressional Appropriations, it is important to have a strategy for answering them. Whatever the strategy, certain guidelines should be followed when responding:

- Limit response to one page whenever possible
- Provide basic facts (who, what, where, when, why)
- Be brief without omitting important facts
- Prepare as stand-alone statements not requiring any follow-up

Statement preparation steps:

- ***Deputy Assistant Secretaries receive requests and assigns to Program Managers.***
- ***Program Managers review requests and assign them to program management teams.***
- ***Program managers develop appropriate Impact or Capability statements.***
- ***Office Directors review statements and make comments.***
- ***Program Managers revise statements based on comments.***
- ***Deputy Assistant Secretaries review and comment on statements.***
- ***Program Managers revise statements based on DAS comments.***

The Deputy Assistant Secretaries normally receive the requests for Impact and Capability Statements on Programs from the Congressional appropriations committees or responsible subcommittees. Response actions are assigned to the appropriate Program Managers.

Program Managers review the requests and assign them to program management teams according to their programmatic responsibilities and the specifics of the request.

Program Managers develop the initial Impact or Capability statements based on prior strategies and any direction provided by the Deputy Assistant Secretaries. Additional information may be sought from their staff, field offices, laboratories, or outside consultants.

Program Managers review the statements before they are submitted to the Deputy Assistant Secretaries. Their comments are given to the program management teams for resolution. **The Program Managers revise the statements based on these comments.**

The Deputy Assistant Secretaries then review the statements in the context of the overall Program's strategy. His comments are returned to the Program Managers, and possibly to the individual program management teams as well, for resolution.

The Program Managers revise the statements based on these comments, and resubmit them for further review.

The Assistant Secretary/EE is the next reviewer. Normally, ongoing discussions with the Deputy Assistant Secretaries have been sufficient to avoid returning the statements to the program office

- ***Assistant Secretary/EE reviews and comments on statements.***
- ***OMB reviews and comments on statements.***
- ***Program revises statements based on OMB comments.***
- ***Program Office delivers the final statements to the requesting committee.***

level for revision. After resolution of any remaining issues, the Assistant Secretary/EE forwards the statements to OMB for review.

Issues raised in the OMB review are usually resolved at the Deputy Assistant Secretaries level, although program office involvement is sometimes necessary. When all OMB issues are resolved, the final statements are forwarded to the Congressional committee that initiated the action.

c. Capability Statement Content

Capability Statements reflect DOE's position on Congressional amendments proposing DOE program and funding changes. The following items should be included in these statements:

- Departmental position
- Current fiscal year program
- Amount budgeted for fiscal year
- Fiscal year budget request/ feasibility
- Capability
- Outlay effects

Departmental Position. This section reflects DOE's position only and should not include the program description. A statement such as the following should be used: "The FY 1996 Congressional Budget Request of $XXX,000 for [Key Activity/Subkey Activity] is an appropriate level of funding. DOE believes that the proposed FY 1996 Request is proper and balanced in light of the fiscal budget constraints. Any proposed funding additions will have to be offset by funding reductions elsewhere to maintain the domestic discretionary budget cap imposed by the Budget Enforcement Act of 1990."

Capability statements cannot be used to seek additional funding.

If specific guidance is not given with the request to develop the Capability Statement, the above statement should be used. Statements *cannot*, under any circumstances, ask for additional funding.

Current FY X Program. This section provides a brief overview of the program. It should contain a statement of the FY funding (e.g., "In FY 1995, [Key activity] is funded at $XXX,000, of which $XXX,000 is for [Subkey activity].) It should also include: a brief description and history of the program/project; total expenditures for the project; results of past projects and anticipated results, benefits, and impacts of ongoing projects; cost sharing arrangements (if applicable), and the other agencies or organizations involved.

Amount Budgeted in FY X+1. The budgeted program amount is specified in this section; e.g., "In FY 2002, [Key Activity] is funded at $XXX,000, of which $XXX,000 is for [the proposed amendment]."

FY X+1 Budget Request/Feasibility. This section is a description of the fiscal year program as it pertains to the proposed amendment. If the program is a continuation from the previous fiscal year, new information must be included that is not provided in the "Current Program" section.

Capability. The capability section explains why a project should or should not be funded. It should include: how the funds will be used; the benefits/impacts of the proposed program; efforts currently being undertaken that are similar to the proposed program; any cost sharing, CRADAs or potential leveraging; how the project fits into the "big picture;" and the practicality of implementing the proposed program.

Outlay Effects. Guidance on outlays is usually provided as part of the request for the Capability Statement. In the example, the $2 million outlay to restore the LBL program is distributed over three fiscal years.

d. Impact Statements

Impact Statements are requested to define "What if" scenarios, such as "What impact would there be if your budget is cut by 10%?" or "What impact would ensue by eliminating a specific part of the program?" The content of an Impact Statement is nearly identical to a Capability Statement. However, since an Impact Statement responds to a possible budget redirection, the defense of the requested budget must be strong. Consequently, the strategy of the response is extremely important.

Program Managers should discuss strategies for responding to Impact Statements with the program management teams. With guidance from the Deputy Assistant Secretaries, program managers set specific strategies. Some possible strategies for developing Impact Statements:

- Devise a budget response that will have minimum adverse impact (from the program manager's viewpoint) on the whole programmatic area. This would keep the key researchers and projects going, possibly at a slightly reduced pace, but a healthy one.
- Devise a budget response that will have maximum impact on the Congressional committees responsible for the program's budget. This strategy pre-supposes that Congress will restore their favorite projects; however, it has risks. The change may be inadvertently missed by the Congressional staffs, or the climate for the project may quickly change, or OMB (and others) may be sufficiently disturbed by this tactic that other parts of the program may be adversely affected.
- Take equal cuts for all projects and contracts/grants. This strategy is equitable and easy to defend in that all projects get hurt equally. However, it may not keep key programs and researchers. It could result in cutting of personnel and sub-projects in a manner adverse to the overall program.
- Accept OMB guidance, hoping that they see a broader picture and are giving wise counsel.
- Cut whole projects out for the good of the overall program. This is difficult, but is often the best option, depending on the progress on all projects, the quality of work, etc. Elimination of whole projects shows Congress a firm conviction to the remainder of the program.

Obviously, each year and each program must be considered individually. No generic or best solution will cover all cases.

e. Additional Resources

Often Impact and Capability Statements are similar from year to year, so statements from previous years can be a helpful resource for program managers when developing new responses. Referring to previous years responses, gives the statements continuity and consistency, thus increasing their impact.

CAPABILITY STATEMENT

Committee: House Appropriations Subcommittee on Interior and Related Agencies

Source/Date: Honorable Ronald V. Dellums, April 19, 1994

Agency/ Bureau: DOE/ Office of Energy Efficiency and Renewable Energy

Appropriation: Energy Conservation

Activity: Transportation Sector/ Electric and Hybrid Propulsion Development/ Battery Development

Proposed Amendment: Increase Battery Development by $2,000,000 to a total of $30,770,000 to restore the reduction in the Electrochemical Exploratory Technology Research program at Lawrence Berkeley Laboratory.

Departmental Position:

The FY 1995 Congressional Budget Request of $28,770,000 for Battery Development is an appropriate level of funding. DOE believes that the proposed FY 1995 Request is proper and balanced in light of fiscal budget constraints. Any proposed funding additions will have to be offset by funding reductions elsewhere to maintain the discretionary budget cap imposed by the Budget Enforcement Act of 1990.

Current FY 1994 Program:

In FY 1994 Battery Development is funded at $36,202,000 of which $4,000,000 is for the Exploratory Technology Research Program. This program is supporting the effort of the United States Advanced Battery Consortium (USABC) to develop ambient temperature lithium/polymer electrolyte batteries by investigating new materials and synthesis methods for producing more stable, higher conductivity polymer electrolytes and more efficient low-cost electrodes. This work is being accomplished by using modeling studies to understand the electrode/electrolyte interface, performing detailed analysis of the materials and components, and studying the thermal properties of polymer electrolytes. A three-dimensional model of heat transfer processes that take place in lithium/polymer electrolyte batteries is being used in designing thermal management systems for electric vehicle-size batteries. The advancement of aqueous battery system technologies is being supported by developing electrolytes and improved nickel oxide electrodes for advanced zinc/nickel oxide batteries. Research has been initiated on promising advanced sodium/polymer electrolyte batteries and thin-film lithium solid state batteries for electric and hybrid vehicle applications.

Amount Budgeted in FY 1995:

In FY 1995, Battery Development is funded at $28,770,000, of which $1,820,000 is for the Exploratory Technology Research Program.

FY 1995 Budget/Feasibility:

The FY 1995 Request for the Exploratory Technology Research Program will allow some of the critical exploratory research in support of the efforts in lithium/polymer batteries to continue at Lawrence Berkeley Laboratories. Research into the electrochemical phenomena that limit the performance and service life of lithium polymer batteries will also continue.

Capability:

If the proposed additional funds were appropriated, they could be used to continue to conduct applied research of interest to USABC. The research could address specific materials and component problems currently encountered in the development of advanced rechargeable battery systems for electric vehicles. The renewed support for lithium/polymer batteries could be used to develop new , chemically stable, highly conductive electrolytes and high-capacity, high-efficiency positive electrodes. Research could be conducted on the use of metal oxides with distinctive crystalline structure as efficient, low-cost positive electrode materials. Studies to model the properties of solid polymer electrolytes and to develop a generic, comprehensive model of the electrode/electrolyte interface in lithium/polymer batteries could be continued. New sophisticated analytical techniques to investigate phenomena at the electrode/electrolyte interface in aqueous and nonaqueous batteries to characterize the properties that result in improved performance and longer life could be examined. The development of new, high-density positive electrodes for solid/polymer batteries could also be continued.

Outlay Effects: $600,000, FY 1995; $1,100,000, FY 1996; $300,000, FY 1997

Amendment Proposed By: Honorable Ronald V. Dellums, Member of Congress

IMPACT STATEMENT

Committee: Senate Appropriations Subcommittee on Interior and Related Agencies

Source: House Appropriations Subcommittee on Interior and Related Agencies Markup

Date: June 24, 1993

Agency/ Bureau: DOE/ Office of Energy Efficiency and Renewable Energy

Appropriation: Energy Conservation

Activity: Transportation Sector/ Electric and Hybrid Propulsion Development/ Battery Development

Proposed Amendment: Decrease the FY 1994 funding for a railroad-based fuel cell by $1,500,000 from $3,000,000 to $1,500,000.

Departmental Position:

Initial studies have identified the locomotive as an excellent entry market for fuel cells in heavy duty transportation applications. The FY 1994 Congressional Budget Request of $3,000,000 initiates a fuel alliance consisting of major railroad companies, State and local organizations, fuel suppliers, and other interested parties to evaluate, develop, and demonstrate a fuel cell system for locomotive propulsion. The benefits include energy savings, fuel flexibility, fuel efficiency, modularity and packaging flexibility, commonality with current locomotive drivetrains, and emission and noise reductions.

Current FY 1993 Program:

In FY 1993, $11,898,000 was appropriated for continuing research and development of fuel cells for transportation applications. In Phase I of the fuel cell/ battery bus program, two developers demonstrated proof-of-flexibility by fabricating a half-size fuel cell/ battery power source that is needed for an urban bus. Phase II includes the design, fabrication, and testing of three fuel cell powered, 30-foot buses. The first bus will be completed in FY 1993, and the remaining two buses delivered in FY 1995. H-Power Corporation, the prime contractor for the fuel cell bus program, is cost sharing at 26 percent. Other sponsors of this program are the Federal Transit Administration and the South Coast Air Quality Management District. The proton exchange member light-duty fuel cell program is cost shared at 20 percent with General Motors, the prime contractor. In FY 1993, a 10-kW baseline breadboard system is being built and evaluated along with the technology development program. Phase I of a 20 percent cost-shared program with Arthur D. Little, Incorporated, to design a multifuel reformer and a hydrogen storage system is completed. Phase II to build a 10-kW multifuel reformer and a 1-kg hydrogen storage system has been initiated. The Illinois Department of Energy and Natural Resources plans to co-fund the development of a 10-W ethanol reformer. Los Alamos National Laboratory is conducting core research in FY 1993 to reduce costs and improve proton exchange member fuel cell performance. A competitive procurement for a direct hydrogen-fueled fuel cell power system has been initiated and a contract will be awarded early in FY 1994. The Department also completed the formulation of a National Program Plan for fuel cells in transportation in cooperation with industry.

Amount Budgeted in FY 1994:

The Congressional Budget Request for In FY 1994, includes $18,000,000 for fuel cell development, of which $3,000,000 is for the railroad locomotive fuel cell program.

FY 1995 Budget/Feasibility:

The FY 1994 budget request of $18,000,00 provide for the continuation of the development and demonstration of fuel cells for transportation in the areas of light-duty vehicle applications, heavy-duty vehicle applications, research & development, and supporting analyses. This includes ongoing programs on alternative-fueled passenger car and bus applications, and initiates new programs on direct hydrogen fuel cells for passenger cars and fuel cell-powered locomotive development in response to mandates of the Energy Policy Act of 1992.

Impact:

The proposed reduction will have a limiting effect on timing of the initial work that can be undertaken on the development of a fuel cell-powered locomotive. Design studies planned for FY 1994 would have to stretched out, and work through the planned FY 1999 demonstration of a prototype fuel cell locomotive would be delayed accordingly.

Outlay Effects:

The reduction of $1,500,000 in the FY 1994 budget would decrease the estimated FY 1994 outlays by $825,000; FY 1995 outlays by $450,000; and FY 1996 outlays by $225,000.

Amendment Proposed By: Honorable Ronald V. Dellums, Member of Congress